

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Fairhaven Township	County Huron
Fiscal Year End 3/31/06	Opinion Date 09/28/06	Date Audit Report Submitted to State 09/28/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

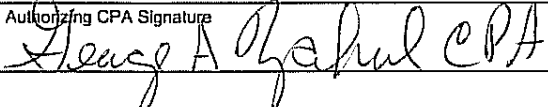
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) George A. Zahul CPA PC		Telephone Number 989-269-9966	
Street Address 101 North Port Crescent		City Bad Axe	State MI
Zip 48413			
Authorizing CPA Signature 		Printed Name George A. Zahul CPA PC	License Number 1101013362

**Township of Fairhaven
Bay Port, MI**

Huron County

**FINANCIAL REPORT
March 31, 2006**

Township of Fairhaven

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Township of Fairhaven

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George Zahul, CPA, PC
101 N Port Crescent St
Bad Axe, MI 48413
989-269-9966

Independent Auditor's Report

To the Township Board
Township of Fairhaven
Bay Port, MI 48720-0003

I have audited the accompanying general purpose financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Fairhaven as of and for the year ended March 31, 2006, which collectively comprise the basic financial statements of the Township of Fairhaven management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Fairhaven as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 28, 2006, on my consideration of the Township of Fairhaven internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Fairhaven basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, i express no opinion on them.

George Zahul, CPA, PC

George Zahul, CPA, PC
September 28, 2006

George Zahul, CPA, PC
101 N Port Crescent St
Bad Axe, MI 48413
989-269-9966

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

To the Township Board
Township of Fairhaven
Bay Port, MI 48720-0003

I have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Township of Fairhaven as of and for the year ended March 31, 2006, which collectively comprise Township of Fairhaven basic financial statements and have issued my report thereon dated September 28, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

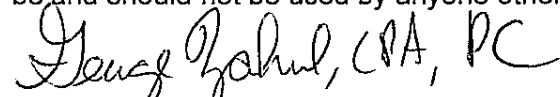
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Township of Fairhaven internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Township of Fairhaven financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the State of Michigan, and the United States Department of Agriculture Rural Development and is not intended to be and should not be used by anyone other than those specified parties.



George Zahul, CPA, PC
September 28, 2006

Fairhaven Township Management's Discussion and Analysis

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2006. Please read it in conjunction with the Township's financial statements, which immediately follow this section.

Financial Highlights

The 2005/06 fiscal years resulted in a Fund Balance in the General Fund of \$310,848.21. This was an expected result for the Township. The Fund Balance was slightly higher than was originally budgeted.

In total, Township revenues exceeded \$375,277.35 for fiscal year ended March 31, 2006. Spending over the same time period was \$341,899.06. In both cases that was an increase of approximately \$24,277.35 over fiscal 2005 for revenues and a decrease of \$36,900.94 for spending.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the Township's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the district-wide statements.

Government-Wide Statements

The Government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – are one way to measure the Township's financial health or position.

Fairhaven Township Management's Discussion and Analysis

The government-wide financial statements of the Township are divided into categories:

Governmental Activities – Most of the Township's basic services are included here, such as public safety, public works, and general administration. Property taxes, state-shared revenue, and charges for services provided most of the funding.

Business-type Activities – The Township operates a sewer system and charges fees to customers to help cover the costs of certain services it provides. The Township's sewer and water system is treated as a business-type activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on its most significant or "major" funds – not the Township as a whole. Funds are accounting devices the Township uses to keep track of specific sources of funding and spending for particular purposes:

Some funds are required by State law and by bond covenants.

The Township establishes other funds to control and manage money for particular purposes.

The Township has three types of funds:

Governmental Funds – Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary Funds – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

Fiduciary Funds – The Township is responsible for ensuring that the assets reported in these funds are used for intended purposes. All of the Township's fiduciary activities are reported in a separate statement of Assets and Liabilities. These activities are excluded from the Township's government-wide Financial Statements, because the government cannot use these resources.

Fairhaven Township Management's Discussion and Analysis

Financial Analysis of the Township as a Whole

Net Assets

Township net assets decreased during the fiscal 2006. Depreciation of Township assets, of \$10,112.00, as opposed to no new purchases.

Fairhaven Township

	<u>2006</u>
Current and other Assets	\$ 1,068,663.75
Capital Assets, Less Accumulated Depreciation	<u>1,400,985.34</u>
Total Assets	\$ 2,630,313.14
Current Liabilities	28,594.23
Other Liabilities	<u>1,043,000.00</u>
Total Liabilities	\$ 1,071,594.23
<u>Net Assets:</u>	
Invested in Capital Assets net of Related Debt	\$ 86,468.04
Restricted	27,183.66
Unrestricted	778,825.36
Other	<u>666,241.85</u>
Total net Assets (deficit)	\$ 1,558,718.91

Changes in Fairhaven Township Net Assets

	<u>2006</u>
<u>Revenues</u>	
Charges for Services	\$ 97,946.20
Operating Grants	0
<u>General Revenues</u>	
Property Taxes	251,557.06
State Revenue	97,668.00
Other	<u>34,682.11</u>
Total Revenues	\$ 481,853.37
<u>Expenses</u>	
General Government	\$ 56,747.79
Public Services	138,527.46
Sanitation, Water, and Sewer	112,104.34
Roads	96,896.54
Interest and Other	107,137.84
<u>Business Type Activities</u>	
Unallocated Depreciation	<u>10,112.00</u>
Total Expenses	<u>\$ 521,525.97</u>
Increase (Decrease) in Net Assets	<u>\$ (39,6752.60)</u>

Fairhaven Township Management's Discussion and Analysis

Governmental Activities

Revenues for governmental activities totaled \$481,853.37 in 2006. A total of \$251,557.06 was in the form of property tax collections. State-shared revenues continue to be of concern. While it provided \$97,668.00, we are uncertain what will happen in 2006 given the State's financial difficulties.

Financial Analysis of the Township's Funds & Budgets

The General Fund ended 2006 with a fund balance of \$310,848.21. Several factors affected operating results. Tax collections were \$33,456.83 for 2006. Additionally, other revenue was \$113,798.72 in 2006. Total revenues in the General Fund of \$147,255.55 exceeded expenditures of \$141,349.56 by \$5,905.99 leaving an increase of \$3,368.52.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent expenditures from exceeding the budget. With that in mind, the General Fund expenditures were 96 percent of budget. No major General Fund areas were significantly under or over budget.

Capital Assets and Debt

The Township made capital purchases of \$7150.33 during the year.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of several areas that could have a major impact on the 2005/2006 fiscal year, and subsequent years.

Township summer 2006 taxes have close to the same millage rate as last year. Most of the money collected goes for the operating expenses for the general fund.

At this time the Township was not aware of any areas that could have a major impact on the 2006/2007 fiscal year and subsequent years.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact in writing the Business Office, Fairhaven Township, 9811 Main St., Bay Port, MI 48720.

Township of Fairhaven

Statement of Net Assets

March 31, 2006

	<u>Primary Government</u>		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and Investments	\$ 661,171.62	\$ 358,549.86	\$ 1,019,721.48
Accounts Receivable	25,705.42	11,135.54	36,840.96
Prepaid Insurance	8,057.89	4,043.42	12,101.31
Total Current Assets	<u>694,934.93</u>	<u>373,728.82</u>	<u>1,068,663.75</u>
Property and Equipment			
Property and Equipment	784,642.04	3,329,988.34	4,114,630.38
Less Accumulated Depreciation	(698,174.00)	(2,015,471.04)	(2,713,645.04)
Net Property and Equipment	<u>86,468.04</u>	<u>1,314,517.30</u>	<u>1,400,985.34</u>
Other Assets			
Sewer Installments Receivable	0.00	160,664.05	160,664.05
Total Other Assets	<u>0.00</u>	<u>160,664.05</u>	<u>160,664.05</u>
Total Assets	<u>781,402.97</u>	<u>1,848,910.17</u>	<u>2,630,313.14</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	0.00	4,659.38	4,659.38
Accrued Payroll and Taxes	4,934.85	0.00	4,934.85
Current Portion of Bonds Payable	0.00	19,000.00	19,000.00
Total Current Liabilities	<u>4,934.85</u>	<u>23,659.38</u>	<u>28,594.23</u>
Long - Term Liabilities			
Bonds Payable	0.00	1,043,000.00	1,043,000.00
Total Long - Term Liabilities	<u>0.00</u>	<u>1,043,000.00</u>	<u>1,043,000.00</u>
Total Liabilities	<u>4,934.85</u>	<u>1,066,659.38</u>	<u>1,071,594.23</u>
Net Assets			
Invested in capital assets net of related debt	86,468.04	0.00	86,468.04
Restricted	27,183.66	0.00	27,183.66
Unrestricted	662,816.42	116,008.94	778,825.36
Contributions in Aid	0.00	666,241.85	666,241.85
Total Net Assets	<u>\$ 776,468.12</u>	<u>\$ 782,250.79</u>	<u>\$ 1,558,718.91</u>

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Statement Of Activities
For the Year Ended March 31, 2006

Governmental Activities

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Program Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities				
General Government	\$ 56,747.79	\$ 0.00	\$ 0.00	\$ (56,747.79)
Public Safety	93,471.51	2,100.00	0.00	(91,371.51)
Public Works	45,055.95	0.00	0.00	(45,055.95)
Roads	96,896.54	0.00	0.00	(96,896.54)
Sewer Operations	112,104.34	95,846.20	0.00	(16,258.14)
Unallocated Depreciation	10,112.00	0.00	0.00	(10,112.00)
Interest	64,560.90	0.00	0.00	(64,560.90)
Miscellaneous	42,576.94	0.00	0.00	(42,576.94)
Total Governmental Activities	<u>\$ 521,525.97</u>	<u>\$ 97,946.20</u>	<u>\$ 0.00</u>	<u>(423,579.77)</u>
General Revenues				
Property Taxes General				251,557.06
State Revenue Sharing				97,668.00
Investment Earnings				16,898.05
Other				<u>17,784.06</u>
Total General Revenues				<u>383,907.17</u>
Change in Net Assets (Deficit)				(39,672.60)
Net Assets Beginning of Year				<u>1,598,391.51</u>
Net Assets End of Year				<u>\$ 1,558,718.91</u>

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Combined Balance Sheet
All Fund Types
March 31, 2006

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>General</u>	<u>Special Reveune</u>	<u>Sewer Operating</u>	<u>Trust</u>	<u>(Memorandum Only)</u>
Assets					
Cash and Investments	\$ 310,210.64	\$ 323,470.92	\$ 358,549.86	\$ 27,490.06	\$ 1,019,721.48
Accounts Receivable	0.00	0.00	171,799.59	0.00	171,799.59
Taxes Receivable	2,875.09	22,830.33	0.00	0.00	25,705.42
Prepaid Insurance	2,697.33	5,360.56	4,043.42	0.00	12,101.31
Fixed Assets net of Depr	0.00	0.00	1,314,517.30	0.00	1,314,517.30
Total Assets	<u>\$ 315,783.06</u>	<u>\$ 351,661.81</u>	<u>\$ 1,848,910.17</u>	<u>\$ 27,490.06</u>	<u>\$ 2,543,845.10</u>
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	\$ 0.00	\$ 0.00	\$ 4,659.38	\$ 0.00	\$ 4,659.38
Fringes and Taxes Payable	4,934.85	0.00	0.00	0.00	4,934.85
Bonds Payable	0.00	0.00	1,062,000.00	0.00	1,062,000.00
Total Liabilities	<u>4,934.85</u>	<u>0.00</u>	<u>1,066,659.38</u>	<u>0.00</u>	<u>1,071,594.23</u>
Fund Equity					
Contributed Capital	0.00	0.00	666,241.85	0.00	666,241.85
Fund Balances					
Reserved	0.00	0.00	0.00	27,490.06	27,490.06
Retained Earnings	0.00	0.00	116,008.94	0.00	116,008.94
Unreserved	310,848.21	351,661.81	0.00	0.00	662,510.02
Total Fund Equity	<u>310,848.21</u>	<u>351,661.81</u>	<u>782,250.79</u>	<u>27,490.06</u>	<u>1,472,250.87</u>
Total Liabilities and Fund Equity	<u>\$ 315,783.06</u>	<u>\$ 351,661.81</u>	<u>\$ 1,848,910.17</u>	<u>\$ 27,490.06</u>	<u>\$ 2,543,845.10</u>

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Combined Statement of Revenue, Expenditures and
Change in Fund Balance
For the Year Ended March 31, 2006

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Total Memorandum Only</u>
Revenues			
Property Taxes	\$ 33,456.83	\$ 218,100.23	\$ 251,557.06
Licenses and Permits	7,105.41	1,045.00	8,150.41
State Revenue Sharing	97,668.00	0.00	97,668.00
Fire Department Services	0.00	2,100.00	2,100.00
Interest	4,187.08	1,981.15	6,168.23
Miscellaneous	4,838.23	4,795.42	9,633.65
Total Revenues	<u>147,255.55</u>	<u>228,021.80</u>	<u>375,277.35</u>
Expenditures			
General Government	50,722.67	6,025.12	56,747.79
Public Safety	2,994.00	90,477.51	93,471.51
Public Works	45,055.95	96,896.54	141,952.49
Other	42,576.94	0.00	42,576.94
Capital Outlay	0.00	7,150.33	7,150.33
Total Expenditures	<u>141,349.56</u>	<u>200,549.50</u>	<u>341,899.06</u>
Excess of Revenues over Expenditures	5,905.99	27,472.30	33,378.29
Other Financing Sources (Uses)			
Operating Transfers in	0.00	3,806.37	3,806.37
Operating Transfers out	<u>(2,537.47)</u>	<u>(962.50)</u>	<u>(3,499.97)</u>
Total Other Financing Sources (Uses)	<u>(2,537.47)</u>	<u>2,843.87</u>	<u>306.40</u>
Excess of Revenues and Other Sources Over(Under)Expenditures and Other Uses	3,368.52	30,316.17	33,684.69
Fund Balance at Beginning of Year	<u>307,479.69</u>	<u>321,345.64</u>	<u>628,825.33</u>
Fund Balance at End of Year	<u>\$ 310,848.21</u>	<u>\$ 351,661.81</u>	<u>\$ 662,510.02</u>

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Proprietary Fund Type Sewer Operating Fund
Statement of Revenues, Expenses and Changes in
Retained Earnings Budget and Actual

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Operating Revenues			
Sewer Fees	\$ 111,125.00	\$ 95,846.20	
Total Operating Revenues	<u>0.00</u>	<u>95,846.20</u>	<u>95,846.20</u>
Operating Expenses			
Office Supplies	0.00	238.29	
Contracted Services-Vollmer	19,800.00	41,904.87	
Postage	0.00	365.01	
FICA Twp Share	0.00	966.96	
Lagoon Maintenance	0.00	400.00	
Lagoon Maintenance Salary	1,600.00	1,552.52	
Administrative Wage - Clerk	4,500.00	4,333.32	
Administrative Wage - Treasurer	3,000.00	3,000.00	
Chemicals and Lab Supplies	350.00	342.00	
Lab/lagoon Testing	1,400.00	1,380.00	
Repairs and Maintenance	0.00	111.42	
Reports to DNR	0.00	360.00	
Insurance - Workers Comp	7,000.00	6,962.82	
Fuel Tires Oil and Accessories	0.00	78.25	
Miscellaneous	17,000.00	16,859.88	
Travel	0.00	1,300.00	
Depreciation Expense	<u>0.00</u>	<u>149,730.00</u>	
Total Operating Expenses	<u>54,650.00</u>	<u>229,885.34</u>	<u>(175,235.34)</u>
Operating Income (loss)	(54,650.00)	(134,039.14)	(79,389.14)
Other Income (Expense)			
Interest Income	0.00	10,419.46	0.00
Interest Expense	<u>(65,000.00)</u>	<u>(64,560.90)</u>	<u>0.00</u>
Total Other Income (Expense)	<u>(65,000.00)</u>	<u>(54,141.44)</u>	
Net Income (loss) From Operations	<u>\$ (119,650.00)</u>	<u>(188,180.58)</u>	<u>(68,530.58)</u>
Add: Transfer of depreciation on assets			
Add: Transfer of depreciation on assets			
acquired with contributions and grants		<u>117,781.00</u>	
Net Income (Loss)		(70,399.58)	
Retained Earnings Beginning of Year		<u>186,408.52</u>	
Retained Earnings End of Year		<u>\$ 116,008.94</u>	

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Proprietary Fund Type Sewer Operating Fund
Statement of Cash Flows
For The Year Ended March 31, 2006

Cash Flows From Operating Activities

Net Income (Loss)	\$ (70,399.58)
Adjustments to reconcile Net Income	
(Loss) to net Cash provided by	
(used in) operating activities:	
Depreciation and Amortization	149,730.00
Losses (Gains) on sales of	
Fixed Assets	0.00
Decrease (Increase) in	
Operating Assets:	
Accounts Receivable	11,635.75
Increase (Decrease) in	
Operating Liabilities:	
Accrued Liabilities	0.00
Total Adjustments	<u>161,365.75</u>

Net Cash Provided By (Used in) Operating Activities 90,966.17

Cash Flows From Investing Activities

Proceeds From Sale of Fixed Assets	<u>0.00</u>
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Net Cash Provided By (Used In) Investing Activities 0.00

Cash Flows From Financing Activities

Notes Payable Repayments	<u>(18,000.00)</u>
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Net Cash Provided By (Used In) Financing Activities (18,000.00)

Net Increase (Decrease) In Cash and Cash Equivalents 72,966.17

Cash and Cash Equivalents Beginning of Year 403,364.69

Cash and Cash Equivalents End of Year \$ 476,330.86

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Fiduciary Fund Type Cemetery Perpetual Care
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2006

	Actual	Budget	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Interest Income	\$ 310.36	\$ 0.00	\$ (310.36)
Total Revenues	<u>310.36</u>	<u>0.00</u>	<u>(310.36)</u>
Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>310.36</u>	<u>0.00</u>	<u>310.36</u>
Other Financing Sources (Uses)			
Transfers out	(306.40)	0.00	306.40
Total Other Financing Sources (Uses)	<u>(306.40)</u>	<u>0.00</u>	<u>(306.40)</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	3.96	<u>\$ 0.00</u>	<u>\$ 3.96</u>
Fund Balance Beginning of Year	<u>27,486.10</u>		
Fund Balance End of Year	<u>\$ 27,490.06</u>		

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Fiduciary Fund Type Cemetery Perpetual Care
Statement of Cash Flows
For the Year Ended March 31, 2006

Cash Flows From Operating Activities

Net Income (Loss)	\$ 3.96
Adjustments to reconcile Net Income	
(Loss) to net Cash provided by	
(used in) operating activities:	
Losses (Gains) on sales of	
Decrease (Increase) in	
Operating Assets:	
Increase (Decrease) in	
Operating Liabilities:	
Total Adjustments	<u>0.00</u>

Net Cash Provided By (Used in) Operating Activities 3.96

Cash Flows From Investing Activities

Net Cash Provided By (Used In) Investing Activities 0.00

Cash Flows From Financing Activities

Net Cash Provided By (Used In) Financing Activities 0.00

Net Increase (Decrease) in Cash and Cash Equivalents 3.96

Cash and Cash Equivalents Beginning of Year 27,486.10

Cash and Cash Equivalents End of Year \$ 27,490.06

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Reconciliation of Fund Balances of Government Funds
to Net Assets of Government Activities
For the Year Ended March 31, 2006

Fund Balances Total Governmental Funds	\$ 1,472,250.87
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Amounts reported for governmental activities in the statement of activities
are different because

Capital assets used in governmental activities are not financial resources
expenditures in the year incurred and are not reported in the funds

Property and Equipment	784,642.04
Less Accumulated Depreciation	(698,174.00)

Accrued Interest on debt is not recorded in governmental funds until it is paid

Accrued Interest Payable Beginning of Year	0.00
Accrued Interest Payable End of Year	0.00
Other	<u>0.00</u>

Net Assets of Governmental Activities	<u>\$ 1,558,718.91</u>
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The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net Change in Fund Balances Total Governmental Funds **\$ (36,710.93)**

Amounts reported for governmental activities in the statement of activities
are different because

Governmental funds report capital outlays as expenditures in the year incurred
and depreciation is recored for assets in the statement of activities

Depreciation Expense	(10,112.00)
Capital Outlay	7,150.33

Accrued Interest on long-term debt is recorded in the statement of activities when
incurred it is not recorded in governmental funds until it is paid

Accrued Interest Payable Beginning of Year	0.00
Accrued Interest Payable End of Year	0.00
Other	0.00

Proceeds and repayments of principal on long-term debt are revenues and
expenditures in the government funds, but not in the statement of activities

Proceeds from new Debt	0.00
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Change in Net Assets of Governmental Activities	\$ (39,672.60)
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The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies:

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Reporting Entity

The Local Governmental Unit is governed by an elected council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary activities of the primary government and its component units. For the most part, the effect of inter fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Government reports the following major governmental fund:

The general fund is the Government's primary operating fund. It accounts for all financial resources of the Government, except those required to be accounted for in another fund.

Township of Fairhaven
Notes to Financial Statements
March 31, 2006

Other Non-Major Funds

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Government accounts for its major and local street activities in the special revenue funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter fund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities

Township of Fairhaven
Notes to Financial Statements
March 31, 2006

Proprietary funds distinguish operating revenue and expenses from non operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with and proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non operating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payable's

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Local Unit of Government's water and sewer lines.

Township of Fairhaven
Notes to Financial Statements
March 31, 2006

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over its' estimated useful life.

Compensated Absences (Vacation and Sick Leave)

It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Fairhaven
Notes to Financial Statements
March 31, 2006

Comparative Data/Reclassifications

Comparative total data for the prior year has not been presented in the fund financial statements.

Note 2 - Stewardship, Compliance, and Accountability:

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for all Government Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Government to have its budget in place by the beginning of its fiscal year. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits governments to amend their budgets during the year. During the year, the budget was amended in a permissible manner. There were no significant amendments during the year.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Government incurred expenditures in certain budgeted funds which were in excess of the amounts budgeted, as shown in the statements of Actual vs Budget.

Note 3 - Deposits and Investments:

Deposits

The Government's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Government's deposits was \$1,019,721.48 and the bank balance was \$1,031,524.40.

Investments

State statutes authorize the Government to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchased obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of March 31, 2006, the Government investments consisted of certificates of deposit and Money Market Funds which the carrying amount and the bank balance was \$0.

The total Government cash and investments amounted to \$1,019,721.48 as of March 31, 2006 and \$750,000.00 was covered by Federal Depository Insurance.

Township of Fairhaven
Notes to Financial Statements
March 31, 2006

Note 4 - Receivables:

Receivables as of year end for the governments individual major funds and the other non major funds in the aggregate are shown in the respective statements.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Note 5 - Employee Retirement and Benefits Systems:

The Township of Fairhaven does not provide any employee retirement or benefits systems.

Note 6 - Contingent Liabilities:

Contingent Liability - Unemployment Compensation Costs

The Government has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Government employees by the Michigan unemployment fund must be reimbursed by the Government on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the Government becomes liable to the State of Michigan for unemployment benefits paid.

Note 7 - Proprietary Fund Fixed Assets:

Additions to the utility plant are recorded at cost or, if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water building and lines	50 years
Buildings	15-30 years
Equipment	10-20 years
Office equipment	5 years

Note 8 - Contributed Capital:

Contributed capital currently exists only in the Enterprise Fund. This capital has been used along with other Township resources to purchase or construct the sewer system currently in use within the Township. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues in closes to contributed capital rather than retained earnings.

Township of Fairhaven
Notes to Financial Statements
March 31, 2006

Note 9 - Changes in Long-Term Debt - Sewer Fund:

The Township sewer system encompasses all of the Township of Fairhaven. Financing of construction was accomplished through Sewer Revenue Bonds, authorized pursuant to Act 94, Public Acts of Michigan, 1933, as amended, issued under approval of the Department of Treasury, State of Michigan.

The following is a summary of bond transactions for the year ended March 31, 2006:

	BALANCE APRIL 1, <u>2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE MARCH 31, <u>2006</u>
Sewer Revenue Bonds	\$1,080,000	\$ -	\$ 18,000	\$1,062,000

The annual requirements to amortize the Sewer System Bonds outstanding as of March 31, 2006 including interest of \$1,034,537 are as follows:

2007	\$ 80,835
2008	80,689
2009	81,455
2010	81,133
2011	80,752
Thereafter	<u>1,628,751</u>
	\$ 2,033,615

Required Supplemental Information

Township of Fairhaven
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	<u>General Fund</u>			<u>Variance</u> <u>Original</u> <u>Compared to</u> <u>Final</u>	<u>Variance</u> <u>Actual</u> <u>Compared to</u> <u>Final</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues					
Taxes-Current	\$ 32,213.00	\$ 32,213.00	\$ 0.00	\$ 33,456.83	\$ 1,243.83
State Sources	90,000.00	90,000.00	0.00	97,668.00	7,668.00
Licenses and Permits	7,500.00	7,500.00	0.00	7,105.41	(394.59)
Other	5,700.00	5,700.00	0.00	4,838.23	(861.77)
Interest	0.00	0.00	0.00	4,187.08	4,187.08
Total Revenues	<u>135,413.00</u>	<u>135,413.00</u>	<u>0.00</u>	<u>147,255.55</u>	<u>11,842.55</u>
Expenditures					
General Government	54,475.00	54,475.00	0.00	50,722.67	3,752.33
Public Safety	3,000.00	3,000.00	0.00	2,994.00	6.00
Public Works	47,660.00	47,660.00	0.00	45,055.95	2,604.05
Other	45,145.00	45,145.00	0.00	42,576.94	2,568.06
Total Expenditures	<u>150,280.00</u>	<u>150,280.00</u>	<u>0.00</u>	<u>141,349.56</u>	<u>8,930.44</u>
Excess of Revenues over Expenditures	<u>(14,867.00)</u>	<u>(14,867.00)</u>	<u>0.00</u>	<u>5,905.99</u>	<u>20,772.99</u>
Other Financing Sources (Uses)					
Operating Transfers in	0.00	0.00	\$ 0.00	0.00	0.00
Operating Transfers out	(3,000.00)	(3,000.00)	\$ 0.00	(2,537.47)	462.53
Total Other Financing Sources (Uses)	<u>(3,000.00)</u>	<u>(3,000.00)</u>	<u>0.00</u>	<u>(2,537.47)</u>	<u>462.53</u>
Excess of Revenues and Other Sources Over (Under)					
Expenditures and Other Uses	<u>\$ (17,867.00)</u>	<u>\$ (17,867.00)</u>	<u>0.00</u>	<u>3,368.52</u>	<u>\$ 21,235.52</u>
Fund Balance at Beginning of Year				<u>307,479.69</u>	
Fund Balance at End of Year				<u>\$ 310,848.21</u>	

The accompanying notes are an integral part of the financial statements.

Additional Supplemental Information

Township of Fairhaven
General Fund
Schedule of Revenues
For the Year Ended March 31, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Current Taxes	\$ 28,140.80	\$ 32,213.00	\$ (4,072.20)
Payments in Lieu of Taxes	139.97	0.00	139.97
Delinquent Tax Collection	2,944.58	0.00	2,944.58
Delinquent Taxes	2.48	0.00	2.48
Trailer Park Taxes	2,229.00	0.00	2,229.00
Cable TV Fees	7,067.91	7,500.00	(432.09)
Animal License Fees	37.50	0.00	37.50
Refunds, Rebates, Reimburseme	2,613.55	3,000.00	(386.45)
Sales Tax	88,287.83	90,000.00	(1,712.17)
Intangibles Tax	9,380.17	0.00	9,380.17
Interest Income	4,187.08	0.00	4,187.08
Miscellaneous Income	2,224.68	2,700.00	(475.32)
Total Revenues	<u>\$ 147,255.55</u>	<u>\$ 135,413.00</u>	<u>11,842.55</u>

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
General Fund
Schedule of Expenditures
For the Year Ended March 31, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>
General Government			
Supervisor Salary	\$ 4,769.96	\$ 5,000.00	\$ 230.04
Assessor Salary	27,267.00	28,000.00	733.00
Clerk Salary	4,666.71	4,700.00	33.29
Deputy Clerk Salary	600.00	600.00	0.00
Treasurers Salary	7,500.00	7,500.00	0.00
Deputy Treasurers Salary	325.00	325.00	0.00
Trustee Salary	4,544.00	5,000.00	456.00
Board of Review Salary	1,050.00	1,200.00	150.00
Election Workers Salary	0.00	2,150.00	2,150.00
Total General Government	<u>\$ 50,722.67</u>	<u>\$ 54,475.00</u>	<u>\$ 3,752.33</u>
Public Works			
Spring Clean Up	\$ 6,000.04	\$ 6,100.00	\$ 99.96
Grass Cutting	2,885.15	3,000.00	114.85
Park Expense	75.00	75.00	0.00
Drains at Large	29,409.01	29,985.00	575.99
General Repairs & Maintenance	429.36	500.00	70.64
Storm Sewer Repairs & Maint	3,408.39	5,000.00	1,591.61
Spring Clean-Up	2,849.00	3,000.00	151.00
Total Public Works	<u>\$ 45,055.95</u>	<u>\$ 47,660.00</u>	<u>\$ 2,604.05</u>
Public Safety			
Ambulance	\$ 2,994.00	\$ 3,000.00	\$ 6.00
Total Public Safety	<u>\$ 2,994.00</u>	<u>\$ 3,000.00</u>	<u>\$ 6.00</u>
Other			
FICA Twp Share	\$ 5,984.53	\$ 6,000.00	\$ 15.47
Box Rents	15.00	0.00	(15.00)
General Office Supplies	753.90	800.00	46.10
Postage	894.12	900.00	5.88
Ann Support Agreement	2,487.30	2,500.00	12.70
Operating Supplies	83.48	100.00	16.52
Legal Notices	146.50	150.00	3.50
Attorney Fees	150.00	250.00	100.00
Accountant Fees	3,150.00	5,250.00	2,100.00
Traylor Park Fees	312.50	315.00	2.50
Dues and Subscriptions	673.54	700.00	26.46
Educational Meetings/Seminars	235.00	235.00	0.00
Travel-Mileage-Meals	117.30	200.00	82.70

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
General Fund
Schedule of Expenditures
For the Year Ended March 31, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>
Telephone	920.92	950.00	29.08
Library	1,500.00	1,500.00	0.00
Fuel-Gas-Diesel-Oil	27.02	30.00	2.98
Trash Removal	297.00	300.00	3.00
Insurance-Workers Comp	7,104.04	7,200.00	95.96
Electricity	5,502.75	5,600.00	97.25
Heat	1,771.56	1,800.00	28.44
Sewer Payment	319.80	400.00	80.20
Miscellaneous	2,315.28	2,400.00	84.72
Trailer Park Fee	1,545.00	1,600.00	55.00
Assessor Office Supplies	464.18	475.00	10.82
Assessor Postage	62.03	65.00	2.97
Assessor Miscellaneous	160.06	240.00	79.94
Program Updates and Support	870.00	0.00	(870.00)
Clerk Travel	31.61	35.00	3.39
Clerk Education-Meet-Seminars	291.22	300.00	8.78
Clerk Dues & Subscriptions	50.00	50.00	0.00
Treasurers Office Supplies	172.56	175.00	2.44
Treasurers Postage	338.26	350.00	11.74
Treasurers Miscellaneous	2,155.50	2,200.00	44.50
Tax notices/supplies	1,441.53	1,500.00	58.47
Election Supplies	52.45	75.00	22.55
Election Voting Machines	181.00	500.00	319.00
Total Other	<u>\$ 42,576.94</u>	<u>\$ 45,145.00</u>	<u>\$ 2,568.06</u>
Capital Outlay			
Capital Outlay	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Total Expenditures	<u>\$ 141,349.56</u>	<u>\$ 150,280.00</u>	<u>\$ 8,930.44</u>

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Balance Sheet
Sewer Operating Fund
March 31, 2006

Assets

Current Assets

O & M Checking Acct	\$ 30,690.57
Debt Retirement Savings	95,098.31
Bond and Interest Redemption	11,093.72
O & M Savings Acct	112,894.22
Debt Retirement Checking	14,205.00
Bond Reserve Account	94,568.04
Accounts Receivable Sewer	11,135.54
Accounts Receivable Sewer Connection	160,664.05
Prepaid Insurance	<u>4,043.42</u>
Total Current Assets	534,392.87

Property and Equipment

Capitalized Interest	56,693.67
Less-Accumulated Amortization	(17,712.96)
Land	69,428.12
Machinery and Equipment	48,253.14
Legal Bonding and Start up Costs	76,810.44
Lagoon	422,492.19
Sewer Collection System	2,299,453.80
Engineering Fees	352,725.27
Building	14,270.82
Land Improvements	2,263.00
Office Furniture and Equipment	5,310.85
Less Accumulated Depr	<u>(2,015,471.04)</u>
Total Property and Equipment	<u>1,314,517.30</u>

Total Assets \$ 1,848,910.17

Liabilities and Fund Equity

Liabilities

Accounts Payable	\$ 4,659.38
Bonds Payable	<u>1,062,000.00</u>
Total Liabilities	<u>1,066,659.38</u>

Fund Equity

Contributed Capital	666,241.85
Retained Earnings	<u>116,008.94</u>
Total Fund Equity	<u>782,250.79</u>

Total Liabilities and Fund Equity \$ 1,848,910.17

The accompanying notes are an integral part of the financial statements.

**Township of Fairhaven
Special Revenue Funds
Combined Balance Sheet
March 31, 2006**

	<u>Fire Fund</u>	<u>Highway Fund</u>	<u>Police Fund</u>	<u>Cemetery Fund</u>	<u>Liquor Fund</u>	<u>Street Lighting Fund</u>	<u>Total</u>
Assets							
Cash	\$ 27,343.21	\$ 46,027.84	\$ 227,187.80	\$ 1,285.02	\$ 0.00	\$ 21,627.05	\$ 323,470.92
Taxes Receivable	3,313.18	10,052.04	8,284.86	0.00	0.00	1,180.25	22,830.33
Prepaid Insurance	4,923.04	0.00	0.00	437.52	0.00	0.00	5,360.56
Total Assets	<u>\$ 35,579.43</u>	<u>\$ 56,079.88</u>	<u>\$ 235,472.66</u>	<u>\$ 1,722.54</u>	<u>\$ 0.00</u>	<u>\$ 22,807.30</u>	<u>\$ 351,661.81</u>
Liabilities and Fund Equity							
Fund Equity							
Unreserved	<u>\$ 35,579.43</u>	<u>\$ 56,079.88</u>	<u>\$ 235,472.66</u>	<u>\$ 1,722.54</u>	<u>\$ 0.00</u>	<u>\$ 22,807.30</u>	<u>\$ 351,661.81</u>
Total Liabilities and Fund Equity	<u>\$ 35,579.43</u>	<u>\$ 56,079.88</u>	<u>\$ 235,472.66</u>	<u>\$ 1,722.54</u>	<u>\$ 0.00</u>	<u>\$ 22,807.30</u>	<u>\$ 351,661.81</u>

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2006

	<u>Fire Fund</u>		
	Actual	Budget	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Delinquent Tax Collection	\$ 2,986.72	\$ 0.00	
Property Taxes Current	28,915.51	43,983.00	
Standby Fees	1,200.00	0.00	
Miscellaneous Income	661.42	0.00	
Refunds, Rebates and Reimbursements	1,013.00	0.00	
Fire Runs	900.00	0.00	
Interest Income	<u>108.32</u>	<u>0.00</u>	
Total Revenues	<u>35,784.97</u>	<u>43,983.00</u>	<u>(8,198.03)</u>
Expenditures			
Salaries	5,564.96	18,000.00	
Fica Twp Share	647.18	1,000.00	
Office Supplies	152.45	200.00	
Operating Supplies	2,058.90	2,500.00	
Dues and Subscriptions	70.00	222.00	
Education Meetings and Seminars	20.00	100.00	
Telephone	329.69	500.00	
Fuel Gas Diesel and Oil	453.50	500.00	
Vehicle Maintenance	2,365.63	2,500.00	
Insurance Workers Comp	4,296.02	4,500.00	
Electricity	807.13	900.00	
Heat	1,398.62	1,400.00	
Sewer Payment	319.80	400.00	
General Repairs and Maintenance	1,794.13	1,800.00	
Radio-Pager Maintenance	375.00	375.00	
Miscellaneous	521.15	600.00	
Uniform Purchase and Maintenance	1,169.85	1,200.00	
Bank Services Charges	10.00	0.00	
Capital Outlay	<u>7,150.33</u>	<u>7,200.00</u>	
Total Expenditures	<u>29,504.34</u>	<u>43,897.00</u>	<u>14,392.66</u>
Excess of Revenues Over (Under) Expenditures	<u>6,280.63</u>	<u>86.00</u>	<u>6,194.63</u>
Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources			
(Uses) Over (Under) Expenditures	<u>6,280.63</u>	<u>\$ 86.00</u>	<u>\$ 6,194.63</u>
Fund Balance Beginning of Year	<u>29,298.80</u>		
Fund Balance End of Year	<u>\$ 35,579.43</u>		

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2006

	<u>Police Fund</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Delinquent Tax Collection	\$ 7,414.57	\$ 0.00	
Property Taxes Current	72,302.34	76,473.00	
Fines and Penalties	82.50	0.00	
Interest Income	1,106.85	0.00	
Total Revenues	<u>80,906.26</u>	<u>76,473.00</u>	<u>4,433.26</u>
Expenditures			
Operating Supplies	19.50	0.00	
Telephone	396.41	0.00	
Uniform Purchase and Maintenance	173.93	0.00	
Contracted Services HCSD	60,312.76	55,650.00	
Vehicle Useage	7,220.90	0.00	
Total Expenditures	<u>68,123.50</u>	<u>55,650.00</u>	<u>(12,473.50)</u>
Excess of Revenues Over (Under) Expenditures	<u>12,782.76</u>	<u>20,823.00</u>	<u>(8,040.24)</u>
Other Financing Sources (Uses)			
Transfers in	962.50	0.00	962.50
Total Other Financing Sources (Uses)	<u>962.50</u>	<u>0.00</u>	<u>962.50</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>13,745.26</u>	<u>\$ 20,823.00</u>	<u>\$ (7,077.74)</u>
Fund Balance Beginning of Year	<u>221,727.40</u>		
Fund Balance End of Year	<u>\$ 235,472.66</u>		

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2006

Special Highway Fund

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Delinquent Tax Collection	\$ 8,635.81	\$ 0.00	
Delinquent Tax Collection	274.76	0.00	
Property Taxes Current	88,164.10	88,908.00	
Interest Income	399.33	0.00	
Total Revenues	<u>97,474.00</u>	<u>88,908.00</u>	<u>8,566.00</u>
Expenditures			
Office Supplies	5.75	0.00	
Road Maintenance	85,780.04	130,000.00	
Total Expenditures	<u>85,785.79</u>	<u>130,000.00</u>	<u>44,214.21</u>
Excess of Revenues Over (Under) Expenditures	<u>11,688.21</u>	<u>(41,092.00)</u>	<u>52,780.21</u>
Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources			
(Uses) Over (Under) Expenditures	11,688.21	<u>\$ (41,092.00)</u>	<u>\$ 52,780.21</u>
Fund Balance Beginning of Year	<u>44,391.67</u>		
Fund Balance End of Year	<u><u>\$ 56,079.88</u></u>		

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2006

	<u>Street Lighting Fund</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Delinquent Tax Collection	\$ 1,305.47	\$ 0.00	
Property Taxes Current	8,100.95	9,399.00	
Interest Income	<u>122.58</u>	<u>0.00</u>	
Total Revenues	<u>9,529.00</u>	<u>9,399.00</u>	130.00
Expenditures			
Electricity	<u>11,110.75</u>	<u>9,000.00</u>	
Total Expenditures	<u>11,110.75</u>	<u>9,000.00</u>	2,110.75
Excess of Revenues Over (Under) Expenditures	<u>(1,581.75)</u>	<u>399.00</u>	<u>(1,980.75)</u>
Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	(1,581.75)	<u>\$ 399.00</u>	<u>\$ (1,980.75)</u>
Fund Balance Beginning of Year	<u>24,389.05</u>		
Fund Balance End of Year	<u>\$ 22,807.30</u>		

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2006

Liquor Fund

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Liquor License Fees	\$ 962.50	\$ 962.50	
Total Revenues	<u>962.50</u>	<u>0.00</u>	<u>962.50</u>
Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>962.50</u>	<u>0.00</u>	<u>962.50</u>
Other Financing Sources (Uses)			
Transfers out	<u>(962.50)</u>	<u>0.00</u>	<u>962.50</u>
Total Other Financing Sources (Uses)	<u>(962.50)</u>	<u>0.00</u>	<u>(962.50)</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Fund Balance Beginning of Year	<u>0.00</u>		
Fund Balance End of Year	<u>\$ 0.00</u>		

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2006

Cemetery Fund

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Refunds, Rebates and Reimbursements	\$ 171.00	\$ 0.00	
Grave Opening Fees	2,750.00	2,750.00	
Lot Sales	200.00	200.00	
Interest Income	244.07	0.00	
Total Revenues	<u>3,365.07</u>	<u>0.00</u>	3,365.07
Expenditures			
Insurance Workers Comp	1,630.12	4,350.00	
General Repairs and Maintenance	45.00	0.00	
Contracted Services	4,350.00	6,240.00	
Total Expenditures	<u>6,025.12</u>	<u>0.00</u>	(6,025.12)
Excess of Revenues Over (Under) Expenditures	<u>(2,660.05)</u>	<u>0.00</u>	(2,660.05)
Other Financing Sources (Uses)			
Transfers In	2,843.87	7,200.00	(4,356.13)
Total Other Financing Sources (Uses)	<u>2,843.87</u>	<u>7,200.00</u>	(4,356.13)
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	183.82	<u>\$ 7,200.00</u>	<u>\$ (7,016.18)</u>
Fund Balance Beginning of Year	<u>1,538.72</u>		
Fund Balance End of Year	<u>\$ 1,722.54</u>		

The accompanying notes are an integral part of the financial statements.

Township of Fairhaven
Schedule of Sewer System Revenue Bonds
Dated October 28, 1991
March 31, 2006

<u>Maturity Date</u>	<u>Principal Amount Payable at Each Maturity Date</u>	<u>Interest</u>		<u>Total</u>
		<u>Rate</u>	<u>Amount</u>	
07/01/06	19,000	5.875%	31,196	50,196
01/01/07		5.875%	30,639	30,639
07/01/07	20,000	5.875%	30,638	50,638
01/01/08		5.875%	30,051	30,051
07/01/08	22,000	5.875%	30,050	52,050
01/01/09		5.875%	29,405	29,405
07/01/09	23,000	5.875%	29,404	52,404
01/01/10		5.875%	28,729	28,729
07/01/10	24,000	5.875%	28,728	52,728
01/01/11		5.875%	28,024	28,024
07/01/11	26,000	5.875%	28,023	54,023
01/01/12		5.875%	27,261	27,261
07/01/12	27,000	5.875%	27,260	54,260
01/01/13		5.875%	26,467	26,467
07/01/13	29,000	5.875%	26,466	55,466
01/01/14		5.875%	25,616	25,616
07/01/14	31,000	5.875%	25,615	56,615
01/01/15		5.875%	24,705	24,705
07/01/15	32,000	5.875%	24,704	56,704
01/01/16		5.875%	23,765	23,765
07/01/16	34,000	5.875%	23,764	57,764
01/01/17		5.875%	22,766	22,766
07/01/17	36,000	5.875%	22,765	58,765
01/01/18		5.875%	21,709	21,709
07/01/18	38,000	5.875%	21,708	59,708
01/01/19		5.875%	20,592	20,592
07/01/19	41,000	5.875%	20,591	61,591
01/01/20		5.875%	19,389	19,389
07/01/20	43,000	5.875%	19,388	62,388
01/01/21		5.875%	18,125	18,125
07/01/21	46,000	5.875%	18,124	64,124
01/01/22		5.875%	16,774	16,774
07/01/22	48,000	5.875%	16,773	64,773
01/01/23		5.875%	15,364	15,364
07/01/23	51,000	5.875%	15,363	66,363
01/01/24		5.875%	13,866	13,866
07/01/24	54,000	5.875%	13,865	67,865
01/01/25		5.875%	12,279	12,279
07/01/25	57,000	5.875%	12,278	69,278

Township of Fairhaven
Schedule of Sewer System Revenue Bonds
Dated October 28, 1991
March 31, 2006
(Continued)

Maturity Date	Principal Amount Payable at Each Maturity Date	Interest		Total
		Rate	Amount	
01/01/26		5.875%	10,605	10,605
07/01/26	61,000	5.875%	10,604	71,604
01/01/27		5.875%	8,813	8,813
07/01/27	64,000	5.875%	8,812	72,812
01/01/28		5.875%	6,933	6,933
07/01/28	68,000	5.875%	6,932	74,932
01/01/29		5.875%	4,936	4,936
07/01/29	72,000	5.875%	4,935	76,935
01/01/30		5.875%	2,821	2,821
07/01/30	76,000	5.875%	2,820	78,820
01/01/31		5.875%	588	588
07/01/31	20,000	5.875%	587	20,587
	<u>\$ 1,062,000</u>		<u>\$ 971,615</u>	<u>\$ 2,033,615</u>

George Zahul, CPA, PC

101 N Port Crescent St
Bad Axe, MI 48413

September 28, 2006

To the Township Board
Township of Fairhaven
Bay Port, MI 48720-0003

The following comments related to situations that came to my attention during the course of my recent examination of the Township of Fairhaven's financial statements as of and for the year ended March 31, 2006, and are submitted for your evaluation and consideration. I would like to emphasize that, since my examination was conducted for the purpose of expressing an opinion on the previously referred to financial statements, these comments are not necessarily all inclusive.

1. The Township over-expended in the General Fund in comparison to the budget. This excess of expenditure over budget amount is in violation of P.A. 621. The Board should avoid such violations by periodically reviewing actual expenditures and revenues as compared to budget amounts.

If you would need assistance in implementing the above, I would be happy to assist you.

I want to take this opportunity to thank the Board for selecting me to do your audit, and I want to thank the Township Officials for their help and assistance during the audit.

Very truly yours,

A handwritten signature in cursive script that reads "George A. Zahul PC".

George A. Zahul, PC
Certified Public Accountant